

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0780-02  
Bill No.: HB 326  
Subject: Education, Elementary and Secondary: Gaming Proceeds  
Type: Original  
Date: April 2, 2001

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON STATE FUNDS</b>                  |            |                        |                        |
|---|------------|------------------------|------------------------|
| FUND AFFECTED   | FY 2002    | FY 2003                | FY 2004                |
| General Revenue   | \$0        | (\$190,500,000)        | (\$226,500,000)        |
| Gaming Proceeds for Education                               | \$0        | (\$10,000,000)         | \$0                    |
| Classroom Trust   | \$0        | \$0                    | \$0                    |
| State School Moneys   | \$0        | \$0                    | \$0                    |
| <b>Total Estimated Net Effect on <u>All</u> State Funds</b> | <b>\$0</b> | <b>(\$200,500,000)</b> | <b>(\$226,500,000)</b> |

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2002    | FY 2003    | FY 2004    |
|   |            |            |            |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |            |                      |                      |
|--|------------|----------------------|----------------------|
| FUND AFFECTED                              | FY 2002    | FY 2003              | FY 2004              |
| <b>School Districts</b>                    | <b>\$0</b> | <b>\$200,500,000</b> | <b>\$226,500,000</b> |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials of **Department of Elementary and Secondary Education (DES)** note that the proposal would divert gaming proceeds currently used to fund the Foundation Formula to the Classroom Trust Fund. The FY 2001 budget estimates that \$180,000,000 will be transferred from the Gaming Proceeds For Education Fund to the State School Moneys Fund. The proposal would switch the transfer to the School Building Property Tax Relief Fund over a five-year period. The State School Moneys Fund would receive additional General Revenue Fund transfers to cover losses. Assuming the \$180,000,000 remains constant, the fiscal impact would be:

| FY   | Gaming<br>Proceeds | %   | Classroom<br>Trust<br>Fund<br>(CTF) | %  | Transferred to<br>CTF | General Revenue Cost |
|------|--------------------|-----|-------------------------------------|----|-----------------------|----------------------|
| 2003 | \$180,000,000      | 20  | \$36,000,000                        | 80 | \$144,000,000         | \$36,000,000         |
| 2004 | \$180,000,000      | 40  | \$72,000,000                        | 60 | \$108,000,000         | \$72,000,000         |
| 2005 | \$180,000,000      | 60  | \$108,000,000                       | 40 | \$72,000,000          | \$108,000,000        |
| 2006 | \$180,000,000      | 80  | \$144,000,000                       | 20 | \$36,000,000          | \$144,000,000        |
| 2007 | \$180,000,000      | 100 | \$180,000,000                       | 0  | \$0                   | \$180,000,000        |

Department of Elementary and Secondary Education officials note that the lottery money currently appropriated for various elementary and secondary education purposes as well as higher education purposes would be sent to the Classroom Trust Fund.

Officials of the **Lottery Commission** stated that annual lottery profits are projected to be \$154,500,000 for the future. This money would be sent from the Lottery Proceeds Fund to the Classroom Trust Fund instead of to the General Revenue Fund.

**Oversight** will reflect a loss of \$154,500,000 to the General Revenue Fund. Since the proposal does not require additional general revenue money be used to replace funding for the various programs currently funded by lottery proceeds Oversight will not show a cost to general revenue for those programs.

Oversight also assumes the Gaming Proceeds for Education Fund will have a balance of about \$10,000,000 on July 1, 2002, when that balance would be transferred to the Classroom Trust Fund and the Gaming Proceeds for Education Fund would be terminated.

| <u>FISCAL IMPACT - State Government</u>   | FY 2002<br>(10 Mo.) | FY 2003                       | FY 2004                       |
|---|---------------------|-------------------------------|-------------------------------|
| <b>GENERAL REVENUE FUND</b>   |                     |                               |                               |
| <u>Loss</u> - Transfers from Lottery Proceeds Fund  | \$0                 | (\$154,500,000)               | (\$154,500,000)               |
| <u>Cost</u> - Increased Transfers to State School Moneys Fund                                 | \$0                 | (\$36,000,000)                | (\$72,000,000)                |
| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>   | <b><u>\$0</u></b>   | <b><u>(\$190,500,000)</u></b> | <b><u>(\$226,500,000)</u></b> |
| <b>STATE SCHOOL MONEYS FUND</b>   |                     |                               |                               |
| <u>Income</u> - Increased Transfers from General Revenue Fund (to replace gaming boat monies) | \$0                 | \$36,000,000                  | \$72,000,000                  |
| <u>Income</u> - Transfers from Classroom Trust Fund (of lottery monies)                       | \$0                 | \$123,600,000                 | \$92,700,000                  |
| <u>Income</u> - 80% of Gaming Proceeds for Education Fund                                     | \$0                 | \$8,000,000                   | \$0                           |
| <u>Loss</u> - Decreased Transfers from Classroom Trust Fund (of gaming boat monies)           | \$0                 | (\$36,000,000)                | (\$72,000,000)                |
| <u>Cost</u> - Distributions to School Districts   | \$0                 | \$131,600,000                 | \$92,700,000                  |
| <b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND</b>                                       | <b><u>\$0</u></b>   | <b><u>\$0</u></b>             | <b><u>\$0</u></b>             |
| <b>CLASSROOM TRUST FUND</b>   |                     |                               |                               |
| <u>Income</u> - Transfer from Gaming Proceeds for Education Fund                              | \$0                 | \$10,000,000                  | \$0                           |
| <u>Income</u> - Gaming Proceeds   | \$0                 | \$180,000,000                 | \$180,000,000                 |
| <u>Income</u> - Lottery Proceeds  | \$0                 | \$154,500,000                 | \$154,500,000                 |
| <u>Cost</u> - Transfers to State School Moneys Fund   | \$0                 | (\$275,600,000)               | (\$200,700,000)               |
| <u>Cost</u> - Distributions to School Districts   | \$0                 | (\$68,900,000)                | (\$133,800,000)               |
| <b>ESTIMATED NET EFFECT ON CLASSROOM TRUST FUND</b>   | <b><u>\$0</u></b>   | <b><u>\$0</u></b>             | <b><u>\$0</u></b>             |
| <b>GAMING PROCEEDS FOR EDUCATION FUND</b>   |                     |                               |                               |
| <u>Cost</u> - Transfer to Classroom Trust Fund  | \$0                 | (\$10,000,000)                | \$0                           |
| <b>ESTIMATED NET EFFECT ON GAMING PROCEEDS FOR EDUCATION FUND</b>                             | <b><u>\$0</u></b>   | <b><u>(\$10,000,000)</u></b>  | <b><u>\$0</u></b>             |

| <u>FISCAL IMPACT - Local Government</u>                        | FY 2002<br>(10 Mo.) | FY 2003                     | FY 2004                     |
|--|---------------------|-----------------------------|-----------------------------|
| <b>SCHOOL DISTRICTS</b>  |                     |                             |                             |
| <u>Income</u> - Distributions from State School<br>Moneys Fund | \$0                 | \$131,600,000               | \$92,700,000                |
| <u>Income</u> - Distributions from Classroom<br>Trust Fund     | \$0                 | \$68,900,000                | \$133,800,000               |
| <b>ESTIMATED NET EFFECT ON<br/>SCHOOL DISTRICTS</b>            | <b><u>\$0</u></b>   | <b><u>\$200,500,000</u></b> | <b><u>\$226,500,000</u></b> |

#### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

#### DESCRIPTION

This proposal would create the Classroom Trust Fund which would receive monies derived from excursion gambling boat and lottery proceeds to be distributed to school districts on a per pupil basis to be used as each school district chooses. Classroom Trust Fund money would be exempt from requirements for certificated salary spending under terms of section 165.016.

Moneys which are currently sent to the Gaming Proceeds for Education Fund would be sent to the Classroom Trust Fund instead of the State School Moneys Fund. Those moneys would be retained in the Classroom Trust Fund over a five-year period beginning in Fiscal Year 2003, and the General Assembly would appropriate money from the General Revenue Fund to replace moneys redirected from the State School Moneys Fund.

Lottery moneys which are currently credited to the General Revenue Fund would be sent to the Classroom Trust Fund.

In Fiscal Year 2003, 80% of all moneys in the Classroom Trust Fund would be transferred to the State School Moneys Fund. In FY 2004, 60% of the Classroom Trust Fund would be transferred to the State School Moneys Fund. In FY 2005, 40% of the Trust Fund would be transferred to the DESCRIPTION (Continued)

State School Moneys Fund. In FY 2006, 20% of the Trust Fund would be transferred to the School Moneys Fund. In FY 2007 and thereafter, all moneys in the Trust Fund would be distributed to school districts.

This legislation is not federally mandated, would not duplicate any other program and would not

require additional capital improvements or rental space. The proposal would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
State Gaming Commission  
State Lottery Commission

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large, circular initial "J" and a long, sweeping horizontal stroke at the end.

Jeanne Jarrett, CPA  
Director  
April 2, 2001